

VZCZCXRO9167
PP RUEHAG RUEHBC RUEHDE RUEHDF RUEHIK RUEHKUK RUEHLZ RUEHROV
DE RUEHLB #1395 2670833
ZNR UUUUU ZZH
P 230833Z SEP 08
FM AMEMBASSY BEIRUT
TO RUEHC/SECSTATE WASHDC PRIORITY 3139
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEHAAA/NSC WASHDC

UNCLAS BEIRUT 001395

SIPDIS
SENSITIVE

DEPT FOR NEA/FO, NEA/ELA
ALSO FOR EEB/ODF DEMARCELLUS
NSC FOR ABRAMS/RAMCHAND/YERGER/MCDERMOTT
COMMERCE FOR ITA SAMS AND WIEGLER

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [EIND](#) [LE](#)

SUBJECT: LEBANON: TASTE THE RECONCILIATION: BUSINESSES
ENTHUSIASTIC ABOUT POLITICAL RECONCILIATION

SUMMARY

1. (SBU) It has been an outstanding summer for Lebanon's tourism industry and service sector generally. Hotels have been full, restaurants packed, and it is impossible to find a rental car on short notice. Businesspeople are saying that political reconciliation initiatives among Lebanon's feuding political and confessional groups could bring the stability necessary to keep the visitors coming and the money rolling in. End summary.

BUSINESS IS BOOMING

2. (U) For the first time since the Israel-Hizballah war in 2006, tourism in Lebanon has taken off, with a combination of Gulf Arabs and Lebanese expatriates pouring in for their summer vacations. Lebanon's Ministry of Tourism reports a 29.2 percent increase in tourists in the first eight months of 2008 over the same period in 2007, with the number of visitors in August alone jumping almost 34 percent compared to 2007. According to the firm Global Refund, Value Added Tax (VAT) refunds to tourists are up 57 percent January-August 2008 over the same period last year.

3. (U) Embassy commercial contacts are thrilled at how well the summer season went. Nadim Assi, president of the Beirut Traders Association, called the August tourist numbers "unprecedented." He added that after the president was elected in May, the business mood improved markedly, and summer commercial activity helped traders catch up after a rough beginning to 2008. Robert Fadel, the owner of Beirut's ABC mall, the largest in Lebanon, said sales at the shopping center increased 50 percent this summer over last. President of the Hotel Syndicate Pierre Ashkar reported a fantastic summer for his industry, with Lebanese expatriates and Gulf Arabs filling rooms, and the chairman of Beirut Port said port activities increased 25 percent this summer year on year.

CAN THE POLITICIANS KEEP IT GOING?

4. (SBU) With business prospering, recent "reconciliation" meetings among Sunnis and Alawites in Tripoli as well as between Walid Jumblatt's Progressive Socialist Party (PSP) and Hizballah, have been welcomed by the business community in Lebanon as harbingers of continued political stability. Rumors of a possible meeting between majority leader Saad

Hariri and Hizballah SYG Hassan Nasrallah have businesspeople talking about the summer boom continuing.

COMMENT

15. (SBU) After the May Doha negotiations that ended the months-long political impasse, the Beirut Haagen-Daaz outlet launched a campaign under the banner "Taste the Reconciliation" and introduced a new product, the "Doha Agreement Cone." The Doha Accord and subsequent presidential election lowered political tensions, having an almost immediate impact on the economy. The bounce in summer visitors shows the resilience of the Lebanese tourism sector and the economy in general. Lebanese expatriates in particular seem to view any period of relative calm as an opportunity to visit, before the next cycle of violence begins. Ghazi Kraytem, President of the Beirut and Mount Lebanon Chamber of Commerce, said that Lebanese business can handle "small incidents" like assassinations as long as political groups do not let violence get out of hand. Because of this, all of our contacts say business leaders are excited about their prospects if the string of "reconciliations" continue. The pickup in business does not translate into political stability. A American Chamber of Commerce President Salim Zenni notes, the mood may improve for now, but in the end, "people don't trust politicians anymore." End comment.

GRANT